

File No. 100057

Committee Item No. 2

Board Item No. 27

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight Date February 16, 2010

Board of Supervisors Meeting Date February 23, 2010

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| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER

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Completed by: Alisa Somera Date February 11, 2010
Completed by: Alisa Somera Date February 17, 2010

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file and the online version.

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1 [Budget and Legislative Analyst Audit of the City's General Fund Revenues]
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4 **Motion requesting the Budget and Legislative Analyst to (a) conduct an audit of the**
5 **City and County of San Francisco's existing lease, fee, and other General Fund**
6 **revenues generated by City department activities and of the City's collection of General**
7 **Fund revenues; and (b) identify new General Fund revenues, enhancement of existing**
8 **General Fund revenues, and improved collection of General Fund revenues.**

9
10 WHEREAS, It is the policy of the Board of Supervisors that each program of the City
11 and County of San Francisco be the subject of a performance or management audit at least
12 once every eight years; and

13 WHEREAS, The function of regular audits is to ensure that City departments and
14 agencies make prudent and efficient use of city resources and also effectively perform the
15 functions assigned to them by the charter and applicable laws; now, therefore, be it

16 MOVED, That the Budget and Legislative Analyst is hereby requested to (a) survey the
17 City's existing General Fund fees, leases, licenses, permits, rates, and other General
18 revenues generated by City department activities; (b) evaluate sufficiency of existing City
19 department revenue sources for covering the costs of City department services; (c) evaluate
20 the City's revenue collection efforts; and (d) identify opportunities for increased revenues from
21 leases and rents, charges for City services, grants, and other General Fund revenue sources,
22 and from improved collection.

<p>Items # 2 File 10- 0057 <i>(continued from January 27, 2010 Budget and Finance Committee meeting and reassigned to Government Audit and Oversight Committee)</i></p>	<p>Department(s): Board of Supervisors</p>
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EXECUTIVE SUMMARY

Legislative Objectives

File 10-0057: Motion requesting the Budget and Legislative Analyst to: (1) conduct a performance audit of the City and County of San Francisco’s existing lease, fee, and other General Fund revenues generated by City department activities and of the City’s collection of General Fund revenues; and (2) identify potential new General Fund revenues, enhancement of existing General Fund revenues, and improved collection of General Fund revenues.

Fiscal Impact

The existing FY 2009-10 appropriation for Budget and Legislative Analyst services would cover the costs of the proposed performance audit. Therefore, there would be no additional costs to the City.

Key Points

To implement the proposed performance audit, the Budget and Legislative Analyst would:

- Identify major revenue sources for City General Fund departments, such as charges for services, fees, federal or State grants, and lease and concession revenues.
- Assess which revenue sources and revenue collection activities require a more detailed review.
- Identify (1) potential new grant, service charge, fee, lease or other revenues that impact the General Fund, (2) enhancement of existing General Fund revenues such as evaluating whether existing fees fully recover costs, and (3) improved collection of General Fund revenues.

The proposed performance audit would not evaluate revenues (1) generated by taxes, (2) generated by special funds or enterprise funds, such as the Airport, Port, and Public Utilities Commission, and (3) General Fund revenues restricted for special purposes by the Administrative Code or Charter, such as the Library Fund and the Municipal Transportation Agency.

The Budget and Legislative Analyst estimates that the review of the City’s General Fund revenues would require approximately 1,200 to 1,500 service hours. If the Board of Supervisors requests the Budget and Legislative Analyst to allocate fewer service hours to the requested audit, we would work with members of the Board of Supervisors to revise the audit scope. We would complete the proposed performance audit prior to June 1, 2010. The Budget and Legislative Analyst will conduct the audit based on audit priorities established by the Board of Supervisors.

Recommendation

Approval of the proposed motion is a policy matter for the Board of Supervisors.

BACKGROUND

The Budget and Legislative Analyst provides performance audit services to the Board of Supervisors. The Agreement between the Budget and Legislative Analyst Joint Venture Partnership and the Board of Supervisors defines the Budget and Legislative Analyst scope of services and requires that the Budget and Legislative Analyst submit an annual work plan estimating the allocation of staff hours for each service category and major project for input, review and approval by the Board of Supervisors.

The Budget and Legislative Analyst has met with members of the Board of Supervisors for input into the annual work plan and submitted a proposed 2010 work plan to the Board of Supervisors for approval on January 25, 2010 (see Item 1, File 10-0148). Under the proposed 2010 work plan, the Budget and Legislative Analyst recommends allocating an estimated 4,450 service hours for performance audits and special projects.

DETAILS OF PROPOSED LEGISLATION

The proposed motion would direct the Budget and Legislative Analyst (1) conduct a performance audit of the City and County of San Francisco's existing lease, fee, and other General Fund revenues generated by City department activities and of the City's collection of General Fund revenues; and (2) identify potential new General Fund revenues, enhancement of existing General Fund revenues, and improved collection of General Fund revenues.

To implement the proposed performance audit, the Budget and Legislative Analyst would:

- Identify the City's General Fund departments' revenues. This includes a survey of permit, fee, and license revenues authorized by the Municipal Code; charges for services; lease and concession revenues; Federal and State grants and allocations; and other revenues that support the services of the City's General Fund departments. The proposed performance audit would not evaluate revenues (1) generated by taxes, (2) generated by special funds or enterprise funds, such as the Airport, Port, and that do not directly impact the General Fund, and (3) General Fund revenues restricted for special purposes by the Charter, such as the Library Fund and the Municipal Transportation Agency.
- Assess which revenue sources and revenue collection activities require a more detailed review.
- Identify (1) potential new grant, service charge, fee, lease or other revenues that impact the General Fund, (2) enhancement of existing General Fund revenues such as evaluating whether existing fees fully recover costs, and improved collection of General Fund revenues.

The Budget and Legislative Analyst estimates that the proposed performance audit of the City's General Fund revenues would require approximately 1,200 to 1,500 service hours. If the Board of Supervisors requests the Budget and Legislative Analyst to allocate fewer service hours to the requested audit, we would work with members of the Board of Supervisors to revise the audit

scope. We would complete the proposed performance audit prior to June 1, 2010. The Budget and Legislative Analyst will conduct the audit based on audit priorities established by the Board of Supervisors.

FISCAL IMPACTS

The existing FY 2009-10 appropriation for Budget and Legislative Analyst services would cover the costs of the proposed performance audit. Therefore, there would be no additional costs to the City.

RECOMMENDATION

Approval of the proposed motion is a policy matter for the Board of Supervisors.

Proposed Work Plan: Evaluation of City General Fund Department Revenues		
Issue	Approach	Estimated Hours (Low Estimate) / Estimated Hours (High Estimate)
Increase City department fees for services that currently do not recover costs	<p>The Controller compiles City department fee information into a master fee schedule. The most recent master fee schedule was FY 2008-09.</p> <ul style="list-style-type: none"> We would evaluate City General Fund department fees that are not 100% cost recovery, based on the master fee schedule. <ul style="list-style-type: none"> (1) Departments that did not submit fee schedules in FY 2008-09: <ul style="list-style-type: none"> - HSA - Environment - Ethics (2) Departments that have fees that are less than 100% cost recovery or need further evaluation (including but not limited to): <ul style="list-style-type: none"> - Adult Probation, Police, Entertainment - District Attorney (bad check) - Economic & Workforce Dev (film) - Elections (certain fees) - DPW (certain fees) - Juvenile Probation (restitution admin fee) - DPH (various weights & measures and agricultural) - Sheriff (possible boarding fees and civil fees) 	140 / 172

Issue	Approach	Estimated Hours (Low Estimate)	Estimated Hours (High Estimate)
<p>Increase City department fees for services that currently do not recover costs (continued)</p>	<ul style="list-style-type: none"> • We would evaluate City General Fund departments that have high revenue fees to ensure that all fees are collected and that fees fully recover costs (including but not limited to): <ul style="list-style-type: none"> - Arts Commission - Asian Art Museum - Assessor Recorder - Board of Appeals - Fine Arts Museum - Fire Department - General Fund Unallocated - General Services Agency/Administrative Services - Public Works - Human Services - MTA (certain fees) - Police - Public Health - Recreation and Park - Sheriff - Treasurer/Tax Collector 	<p>Continued from above</p>	<p>Continued from above</p>
<p>Long range planning fee</p>	<p>This fee has been proposed previously. The fee would be charged to development projects to offset the General Fund costs for long range planning.</p>	<p>24</p>	<p>24</p>

Issue	Approach	Estimated Hours (Low Estimate)	Estimated Hours (High Estimate)
First responder fee	Evaluate revenues and legal restrictions on establishing a first responder fee to charge private ambulances who respond to and transport medical calls for the costs of SFFD first response.	24	24
New fees	Survey comparable cities and counties to identify fees for services not currently charged by San Francisco	48	60
Charges for use of City facilities	Evaluate Administrative Services, Recreation and Park, Asian Art Museum, and other General Fund departments that charge for use of City facilities for events (weddings, concerts, etc.) to ensure market rate rental charges.	80	120
Audit follow up of lease, franchise fees, or other monies owed to the City	Follow up Controller's audits and status of collections: Office Depot (\$5 million), 49ers (\$500,000), Japanese Tea Garden (whistleblower-possible \$500,000), Stow Lake concession (currently on month to month), potential other leases.	40	40
Department fee collections	Evaluate City departments' collection of fees to ensure that all fee revenues are collected in a timely manner. This review would evaluate the variance between budgeted fees and actual fee revenues.	72	100
Collections of bad debt	Evaluate if City departments refer all bad debt to the Bureau of Delinquent Revenue in a timely manner and exhaust all procedures to collect bad debt.	120	140
Access to federal and state grants and funds	Identify opportunities for the Department of Public Health and Human Services Agency to access federal and state funds.	120	120
Total		668	800

